

## **ACA 11 (Oropeza) Fact Sheet**

### **Fixing Proposition 42: Protection, Flexibility and Stability**

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ACA 11 would amend the State Constitution to protect Proposition 42 funds from being diverted away from transportation, while allowing flexibility to borrow the funds on a temporary (maximum of three years) basis in cases of an emergency.

#### **Protection**

In March of 2002, seventy percent of the State's voters approved Proposition 42 with the clear intent that the taxes we all pay at the pump would be dedicated to transportation. Proposition 42 included a loophole which allowed the measure to be "suspended," permitting the funds to be diverted away from transportation uses.

ACA 11 eliminates the constitutional provision that allows for the suspension of all or part of the annual transfer of gasoline sales tax revenues from the General Fund (GF) to the Transportation Investment Fund (TIF).

#### **Flexibility**

ACA 11 would replace the suspension provisions with a new proposal to authorize limited borrowing of Proposition 42 funds, with strict requirements for repayment, with interest. Current law does not require repayment of any Proposition 42 funds that have been suspended.

Although past budgets have included statutory promises of repayment, there is nothing to prevent those promises from being postponed or even cancelled. For example, the Governor's Budget Proposal for the 2005-06 fiscal year includes a proposal to defer repayment of previously suspended Proposition 42 funds for 15 years -- without interest.

ACA 11 would place a measure on the statewide ballot to amend the State Constitution to establish new, reasonable rules for borrowing with specific terms for repayment.

Under normal circumstances, short-term loans would be authorized, but must be repaid within the same fiscal year, or no more than 30 days after enactment of the Budget Act for the next fiscal year.

In more serious situations, Proposition 42 funds could be loaned for up to three fiscal years if either of the following has occurred:

- The Governor has proclaimed a state of emergency and declares that the emergency will result in a significant negative fiscal impact to the General Fund, or;
- The aggregate amount of General Fund revenues for the current fiscal year is less than the aggregate amount of General Fund revenues for the previous fiscal year.

These protections are identical to those that are currently in place for constitutionally-protected gas tax funds.

### **Stability**

Uncertainty in funding for transportation projects makes long-term planning difficult. Large fluctuations in funding result in money being wasted due to stopping and restarting projects. Actions taken in the current year and proposed for the budget year, together with projections of ongoing General Fund shortfalls in future years suggest that the current provisions of Proposition 42 do not offer a predictable ongoing fund source for transportation.

These diversions wreak havoc on the system of planning and building transportation projects, which consequently have a devastating effect on the economy. Projects end up costing more when funds are diverted, forcing Caltrans, regional and local transportation agencies to delay or ultimately cancel projects.

ACA 11 would help establish greater stability in Proposition 42 funding by enacting the following restrictions on the loan of Proposition 42 funds:

- No new loans could be initiated until a pending loan has been repaid
- No more than two loans may be initiated within a ten-year period.